

In the Matter of	)	
	)	CONSENT ORDER
THE TRAVELERS INDEMNITY	)	LEVYING A FINE
COMPANY	)	
	)	
	)	NO. D 2000 – 113
	)	
Authorized Insurer.	)	

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FINDINGS OF FACT:

1. On April 8, 1996, the Office of the Insurance Commissioner (“OIC”) received a form filing from Travelers Indemnity Company (“Travelers”).
2. In a letter dated May 2, 1996, OIC disapproved the April 8, 1996 form filing because the form referred to the insured’s “Primary Loss Reserve Fund.” In its May 2, 1996 letter, OIC asked whether Travelers was then writing coverage in excess of Primary Loss Reserve Funds, if so, for how many policies, and for what total premium volume?
3. Travelers responded but did not answer the OIC’s questions. In its next disapproval letter, dated July 31, 1996, the OIC reiterated those questions. In its October 10, 1996 response, Travelers replied that it was not presently writing coverage in excess of Primary Loss Reserve Funds in the State of Washington. After some additional correspondence, the April 8, 1996 form filing was approved, effective January 28, 1997.
4. On November 1, 1999, OIC received a rate filing from Gulf Insurance Company, a Travelers affiliate. The filing proposed adoption of the vehicle service contract reimbursement rates of Travelers Indemnity Company. However, the rates in the Gulf filing were different from Traveler’s filed rates, last approved effective August 6, 1992.
5. OIC’s subsequent investigation determined that, on August 31, 1991, OIC received rate and form filings from Travelers, in which Travelers proposed revision of the rates and forms used in its existing motor vehicle service contract reimbursement program, to change to a full reimbursement program, in compliance with the changes made to Chapter 48.96 RCW. After some correspondence, OIC approved Travelers’ 1991 rate and form filings.

6. OIC's investigation determined that the full reimbursement program set forth in Travelers' August 31, 1991 rate and form filings was never implemented in Washington. Travelers continued to record only \$25 per service contract as premium on the program, placing the remainder of the amount on the Net Dealer Cost Schedules in a dealer loss reserve fund, from which claims were paid. Travelers continued to offer and administer this program through 1999.

## CONCLUSIONS OF LAW

1. Travelers' issuance of 29 policies using other than approved rates constituted a minimum of 29 violations of RCW 48.19.040(6).
2. Travelers' failure to fully insure covered motor vehicle service contracts violated RCW 48.96.005 and RCW 48.96.030.
3. By stating to the OIC in 1991 that it was converting to a fully insured program and failing to do so, and then stating to OIC in 1996 that it was not presently writing excess-type coverage in Washington although it was providing such coverage on all policies issued until 1994 and after making the statement, Travelers violated RCW 48.01.030 and RCW 48.30.090.

## CONSENT TO ORDER

Travelers hereby admits to the foregoing Findings of Fact and Conclusions of Law as they pertain to these facts. Travelers acknowledges its duty to comply fully with the applicable laws of the State of Washington.

The Commissioner has offered a settlement in lieu of suspending or revoking Travelers' certificate of authority.

By agreement of the parties, the OIC will impose a fine of Three Hundred and Thirty Thousand Dollars on Travelers, and suspend One Hundred Sixty Five Thousand Dollars of that fine, on condition that:

1. Travelers pay One Hundred Sixty Five Thousand Dollars of the fine for its violations of Washington insurance law within thirty days of the entry of this Order.
2. Travelers commit no further violations of the statutes that are the subject of this Consent Order for a period of two years from the date on which this Order is entered.
3. The OIC will not impose the balance of the fine nor proceed against Travelers' certificate of authority should Travelers commit isolated, de minimis, violations of the statutes that are the subject of this Consent Order during the suspense period, as determined by the OIC. Travelers commits to rectifying such violations promptly once they are discovered.

EXECUTED and AGREED this 21st day of December, 2000.

THE TRAVELERS INDEMNITY COMPANY

Title: Counsel and Chief Compliance Office, CL

Signed: Maryellen Prudhomme

ORDER

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of Three Hundred Thirty Thousand Dollars on The Travelers Indemnity Company, and suspends One Hundred Sixty Five Thousand Dollars under the Conditions set forth in the Consent to Order section of this Consent Order. One Hundred Sixty Five Thousand Dollars of the fine must be paid in full within thirty days of the date of entry of this order. Failure to pay this portion of the fine and to comply with the stated Conditions within the allotted time shall constitute grounds for the recovery of the full fine, including the suspended portion, and for revocation of The Travelers Indemnity Company's certification of authority in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT OLYMPIA, WASHINGTON, this 28th day of December 2000.

DEBORAH SENN  
Insurance Commissioner

By: Carol Sureau  
Carol Sureau  
Deputy Commissioner, Legal Affairs  
Office of the Insurance Commissioner